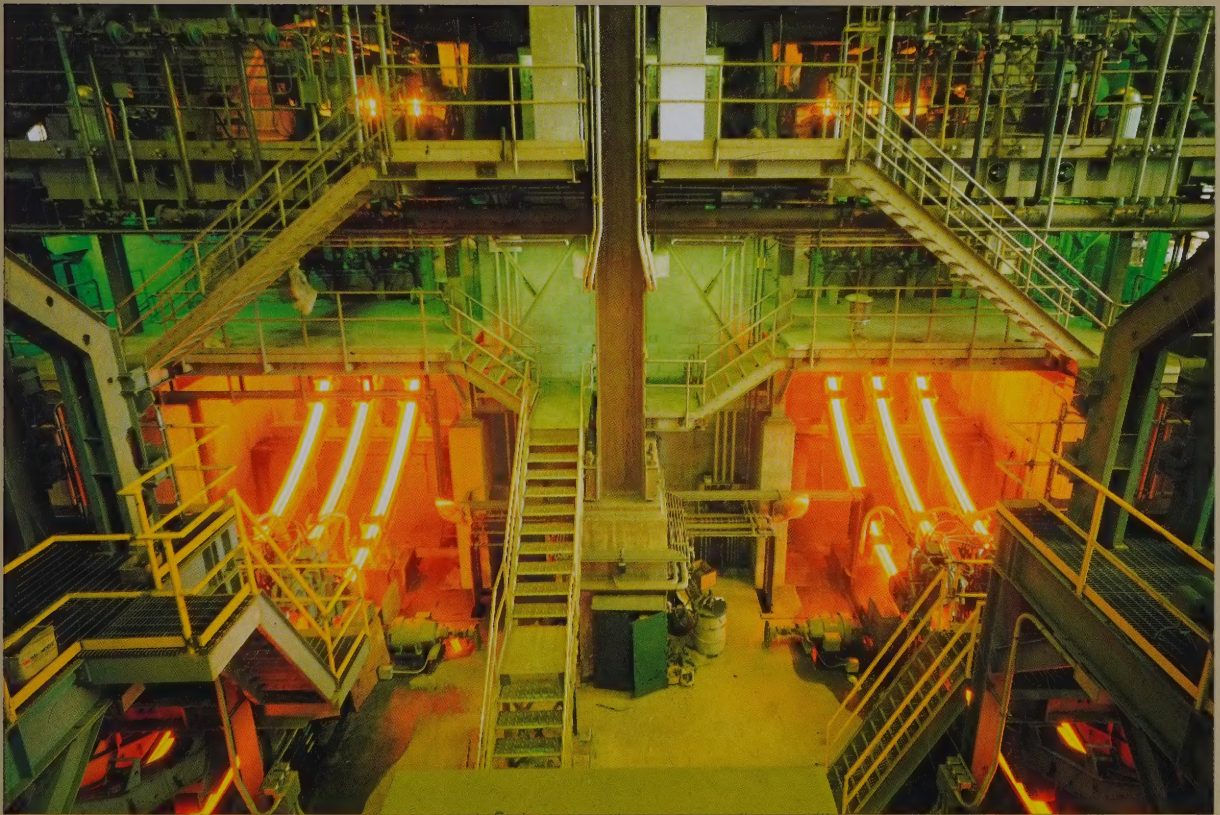


IVACO INC. ANNUAL REPORT 1980

AR17



**“...The 70’s were a decade
of exceptional achievement,
the 80’s will be a decade
of even greater growth...”**

HEAD OFFICE

800 Ouellette Street, Marieville,
Quebec, Canada J0L 1J0

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company in Montreal,
Toronto, Calgary, Vancouver and Halifax

SHARES LISTED

Montreal Stock Exchange
Toronto Stock Exchange

*The Annual Meeting of the Company will
be held on May 28th at 11:00 a.m. in Le
Salon Viger, Château Champlain Hotel,
Place du Canada, Montreal, Quebec.*

Cover Photo:

Six billets are cast simultaneously on Atlantic Steel's newly installed split six-strand continuous caster at Atlanta, Georgia. This and other expansions made during 1980 make Atlantic Steel one of the most efficient steel producers in the United States.

Pour recevoir un exemplaire de la version française de ce rapport, veuillez écrire à Ivaco Inc. 800, rue Ouellette, Marieville (Québec) Canada J0L 1J0

Financial Highlights

Thousands of dollars except per share amounts

	1980	1979
Sales	\$621,855	495,363
Net Earnings	\$ 28,308	42,742
Net Earnings per Common Share	\$ 2.73	4.40
Working Capital	\$129,855	110,334
Net Additions to Fixed Assets	\$ 64,160	34,288

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Officers

Isin Ivanier
Chairman
Paul Ivanier
President
Sydney Ivanier
Senior Vice-President
Michael Herling
Senior Vice-President and Secretary
Jack Klein
Senior Vice-President
John Loveridge
Vice-President
M. R. Cairns
Vice-President
Albert A. Kassab
Vice-President
George Goldstein
Vice-President

To Our Shareholders:

April 8, 1981



Isin Ivanier



Paul Ivanier

1980 was a positive and eventful year for your Company, despite the recession in North America and the adverse impact it had on the steel and related industries. While steelmakers in the United States were closing down some of their older and less efficient plants and operated at substantially reduced capacity, your Company expanded its production facilities and maintained output and sales at a high level.

The slowdown in the North American economy resulted in severe hardships for most steel producers in the United States during the year. The effect of this is quite clearly expressed by the severely depressed earnings reported by these producers.

Although Ivaco's earnings for 1980 are down from the record levels achieved in 1979 we can take comfort when they are compared to the results of American steel producers. These earnings were achieved during poor economic conditions that persisted during

1980 and during a period of high interest costs, high operating costs and high inflation. Your management is confident that when the North American economy returns to more normal conditions that margins will recover to normal levels and as a result substantial growth in profit levels will be achieved.

The 1980 results in brief were:

- Sales were a record \$621.9 million
- Net earnings were \$28.3 million
- Net earnings per share were \$2.73
- Working capital increased to \$129.9 million

Investment in New Plant and Equipment

Investment in new plant and equipment reached a new high for your Company in 1980 when net additions to fixed assets totalled \$64.1 million. This volume of capital spending reflects three extremely important principles. These are: (a) our confidence in the long term

growth potential for steel and steel products in North America; (b) continuous upgrading of our productive capacity; (c) continuous attention to opportunities for internal expansion.

Some of the major modernization and expansion programs which were underway or completed during the year were:

- Addition of a new "no-twist" high speed finishing mill and controlled cooling line to the rod mill at Atlanta, Georgia which has doubled wire rod production capacity there to 290 thousand tons per year.
- Installation and start-up of a split six-strand continuous caster for steel billet production at Atlanta. This new facility is having an immediate and powerful effect toward reducing costs by reducing scrap to billet yield loss from about 22% to about 11% and thus provides an additional 50,000 tons of billets per year from the same amount of gross scrap previously used under the ingot system. This expansion also helped make Atlantic Steel



Interim Report
to
Shareholders
for
the Six Months
ended
June 30, 1980

IVACO INC.
MARIEVILLE QUEBEC

Consolidated Statement of Earnings

For the Six Months ended June 30, 1980 (Unaudited)

(in thousands of dollars except per share amounts)

	Six Month Period ended June 30		Three Month Period ended June 30	
	1980	1979	1980	1979
Net Sales	\$317,494	\$196,509	\$152,099	\$105,794
Cost of sales and operating expenses	267,287	153,470	129,849	82,804
Depreciation	7,186	4,476	3,552	2,298
Amortization	577	697	297	364
Interest on long-term liabilities	9,792	2,940	4,952	1,532
Interest on short-term borrowings	4,158	2,422	1,866	1,248
	289,000	164,005	140,516	88,246
Earnings before income taxes	28,494	32,504	11,583	17,548
Provision for income taxes	10,631	12,219	3,972	6,714
Net earnings	\$ 17,863	\$ 20,285	\$ 7,611	\$10,834
Net earnings per common share	\$1.80	\$2.09	\$0.75	\$1.12

Consolidated Statement of Changes in Financial Position

For the Six Months ended June 30, 1980 (Unaudited)

(in thousands of dollars)

	1980	1979
SOURCES OF WORKING CAPITAL		
Operations		
Net earnings	\$ 17,863	\$20,285
Depreciation and amortization	7,763	5,173
Deferred income taxes and other items	3,799	2,379
Total from operations	29,425	27,837
Issue of capital stock	109	291
Net increase in long-term liabilities	12,738	1,949
Working capital on acquisition of National Wire Products	—	1,138
Total sources of working capital	42,272	31,215
USES OF WORKING CAPITAL		
Net additions to fixed assets	23,600	13,517
Redemption of 5% preferred shares issued as stock dividends in 1979	2,106	—
Dividends — preferred	703	777
— common	1,903	1,307
Other items	330	901
	28,642	16,502
INCREASE IN WORKING CAPITAL	13,630	14,713
WORKING CAPITAL, JANUARY 1	110,334	57,085
WORKING CAPITAL, JUNE 30	\$123,964	\$71,798



Résultats consolidés

Pour la période de six mois terminée le 30 juin 1980 (non vérifié)

(en milliers de dollars à l'exception des montants par action)

	Période de six mois terminée le 30 juin		Période de trois mois terminée le 30 juin	
	1980	1979	1980	1979
Ventes nettes	\$317 494	\$196 509	\$152 099	\$105 794
Coût des ventes et frais d'exploitation	267 287	153 470	129 849	82 804
Amortissement des immobilisations	7 186	4 476	3 552	2 298
Autres amortissements	577	697	297	364
Intérêt sur la dette à long terme	9 792	2 940	4 952	1 532
Intérêt sur les emprunts à court terme	4 158	2 422	1 866	1 248
	289 000	164 005	140 516	88 246
Bénéfices avant impôts sur le revenu	28 494	32 504	11 583	17 548
Provision pour impôts sur le revenu	10 631	12 219	3 972	6 714
Bénéfice net	\$17 863	\$ 20 285	\$ 7 611	\$10 834
Bénéfice net par action ordinaire	\$1,80	\$2,09	\$0,75	\$1,12

Rapport périodique
aux
Actionnaires
pour
les six mois
terminés
le 30 juin 1980

IVACO INC.
MARIEVILLE QUÉBEC

État consolidé de l'évolution de la situation financière

Pour la période de six mois terminée le 30 juin 1980 (non vérifié)

(en milliers de dollars)

	1980	1979
PROVENANCE DU FONDS DE ROULEMENT		
Exploitation		
Bénéfice net	\$ 17 863	\$20 285
Amortissements	7 763	5 173
Impôts sur le revenu reportés et autres éléments	3 799	2 379
Total des fonds provenant de l'exploitation	29 425	27 837
Émission de capital-actions	109	291
Augmentation nette de la dette à long terme	12 738	1 949
Fonds de roulement à l'acquisition de National Wire Products	—	1 138
Provenance totale du fonds de roulement	42 272	31 215
UTILISATION DU FONDS DE ROULEMENT		
Nouvelles immobilisations, montant net	23 600	13 517
Rachat d'actions privilégiées 5% émises comme dividendes-actions en 1979	2 106	—
Dividendes — actions privilégiées	703	777
— actions ordinaires	1 903	1 307
Autres éléments	330	901
	28 642	16 502
AUGMENTATION DU FONDS DE ROULEMENT	13 630	14 713
FONDS DE ROULEMENT AU 1er JANVIER	110 334	57 085
FONDS DE ROULEMENT AU 30 JUIN	\$123 964	\$71 798

one of the most efficient steel producers in the United States and means that all three Ivaco steelmaking facilities now use 100% continuous casting technology.

—Upgrading of the two electric furnaces at Atlanta by installation of water cooled panels which reduces refractory erosion and reflects itself in lower costs of steelmaking. A similar project is also underway at L'Original, Ontario.

—Installation of a modern high speed wire galvanizing facility at Baltimore, Maryland which went into production in the first quarter of this year. Annual production from this line will be in excess of 25 thousand tons, half of which will be used internally and the other half will be sold to outside customers.

—Addition of pouring reels at the rolling mill complex at Cartersville, Georgia which will allow for the production of bar stock in coils. Start-up is expected during the second quarter of 1981.

—Increased capacity for strand galvanizing of wire at Dunnville, Ontario.

—Additional wire drawing capacity at Ingersoll, Ontario and Warrenton, Virginia.

—Additions to nail manufacturing at Buffalo, New York; Warrenton, Virginia; Quincy, Florida; and Atlanta, Georgia.

—Completion of a new building that is to house the enlarged facilities of the precision machined components group at Ingersoll, Ontario.

—Completion and start-up of an environmentally advanced rod cleaning facility for the fastener operations at Marieval, Quebec and increasing capacity of heat-treating furnaces there.

—New cold heading nut formers were put into operation at Toronto, Ontario and a large size (3/4") cold header for bolts was installed at Ingersoll, Ontario.

—Welded wire fabric manufac-

turing capacity was increased at Savannah, Georgia.

—New vinyl extrusion facilities were installed at Hyattsville, Maryland and Dunnville, Ontario for production of plastic coated fencing.

—Major expansions in the paper machine clothing group took place at Starkville, Mississippi with completion of another new building, installation of two large new looms and running-in of a sophisticated highly automated product finishing facility, which allows washing, water extraction, stretching, heat setting and trade line marking in one operation.

—An additional needle loom and a new heavy duty weave loom were installed at Warwick, Quebec.

Investment in Laclede Steel Company

During October our investment in Laclede Steel Company of St. Louis, Missouri was increased from 19.7% to 40% through the purchase of 560 thousand newly issued shares of Laclede for U.S.\$11.2 million. Accordingly, the basis of carrying the investment was changed from the cost method to the equity method of accounting.

The purchase agreement, among other things, provides that for a period of three years Ivaco will not increase its percentage ownership interest in Laclede, become a participant in a proxy contest relating to the election of directors of Laclede or seek to acquire control of Laclede. These limitations will terminate if, among other things, another party makes an offer for or otherwise acquires more than 15% of Laclede's common stock or Laclede suffers a net loss after taxes in any year after 1980 of more than \$1 million.

Laclede has also agreed in certain circumstances to give Ivaco the right to maintain its percentage of ownership interest if Laclede issues additional securities and

Ivaco has agreed in some circumstances to give Laclede a right of first refusal if Ivaco seeks to dispose of its holdings other than in a public offering. In addition, Laclede has agreed to appoint three persons designated by Ivaco, and acceptable to Laclede, to Laclede's nine person Board of Directors. Two such directors have been appointed and a third has met with Laclede's nominating committee and it is expected that he will be appointed to Laclede's board at their next directors' meeting to be held later this month.

Acquisition of 50% Interest in Bakermat Inc.

In October your Company acquired a 50% interest in Bakermat Inc. of Ottawa, Ontario. Bakermat is a scrap metal processor which recycles obsolete auto hulks into scrap metal which in turn is sold to Ivaco's steelmaking facilities in Ontario.

Acquisition of Wrights Canadian Ropes Ltd.

In December, your Company completed the acquisition for \$6.2 million of all the outstanding shares of Wrights Canadian Ropes Ltd. of Vancouver, B.C., a profitable and efficient producer of wire ropes and cables. Wrights is a major, high quality supplier to Western Canada's forestry, mining, oil drilling, marine and construction industries. This acquisition provides a significant addition to the Company's range of steel products and, for the first time, extends manufacturing operations to the West Coast.

Acquisition of Florida Wire and Cable Company

In March 1981, Ivaco announced the signing of an agreement for the acquisition of Florida Wire and Cable Company of Jacksonville, Florida. Upon closing, which is expected to be in May, Ivaco will acquire 80% of the outstanding shares of Florida Wire and Cable for cash. The agreement allows Ivaco to acquire the remaining

shares, according to a predetermined formula, over a five year period.

Florida Wire and Cable has plants at Jacksonville and Sanderson, Florida and is a large producer of stress relieved and low relaxation wire and strand, which it supplies to the prestressed concrete industry. It also produces other wire products including: wire for the manufacture of wire rope, high carbon galvanized wire including utility strand, and twisted wire tendons which are used in the construction of nuclear reactors and other large post-tensioned structures. The acquisition will bring a new range of high carbon wire products to your Company's present product line.

Major Supply Contract

Early in 1981, Ivaco and its wholly-owned subsidiary, Ingersoll Machine and Tool Company, signed an agreement with the Government of Canada whereby Ingersoll was named by the Government as the Preferred source of supply for all large calibre artillery projectiles. We estimate that the contract will result in orders in excess of \$150 million during the agreed upon minimum 10 year term.

In order to provide the forging capability, which is necessary to fulfill the requirements of the contract, Ingersoll Machine and Tool acquired P.C. Drop Forgings Limited of Port Colborne, Ontario. P.C. Drop Forgings is a well known and profitable company in the forging industry.

About \$8 million will be spent over the next 2 years to augment present forging and machining capabilities at both the Port Colborne and Ingersoll plants. Some of the equipment to be installed will be the largest of its type in Canada.

Issue of Preferred Shares

In July your Company issued its Series D preferred shares for \$18

million which increased our capital base and improved working capital by an equivalent amount. The new preferred shares were issued at \$25 and carry cumulative dividends of \$2.50 per share. Half of the shares originally issued, less the shares purchased on the open market, will be redeemed, at the holders' option, at \$25 per share on October 1, 1986 and the balance of the shares, if tendered by the holders, will be redeemed on October 1, 1992.

Outlook

The outlook for Ivaco's future is exceptionally good.

In the short term, the continuance of recessionary forces in North America has kept margins substantially below normal levels during the first quarter, although signs of firming are present. It is expected that earnings will increase as the year progresses and that sales levels will show significant increases throughout the balance of the year.

For the longer term, the outlook is excellent. We entered the decade after eleven years of phenomenal growth in both sales and earnings and it is your Company's intention to maintain this momentum for continued growth throughout the Eighties. The record spending for net additions to fixed assets in 1980 is one concrete and compelling way of communicating our resolve to maintain Ivaco's commitment to growth. Your Company's three integrated steelmaking and rolling mill facilities in Canada and the United States are among the most modern in North America. Our steelmaking facilities use 100% continuous casting and our electric furnaces have in excess of one million tons of annual steelmaking capacity. Rolling capacity is extremely modern and efficient and is in excess of 1.3 million tons. Your Company's other manufacturing plants are also modern, highly pro-

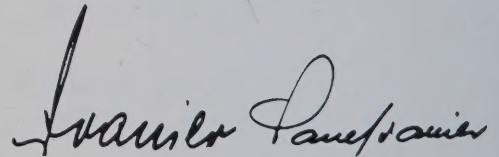
ductive, cost efficient, and strategically located in North America. They reflect the latest in technological advances and they will be continually updated as the Eighties progress. It is from this exceptionally strong base that Ivaco will grow in the Eighties and will be a much larger company by the close of the decade. We feel that once the recessionary forces in North America have receded and the economy returns to normal levels that Ivaco will be able to demonstrate its true potential for growth in terms of both sales and earnings.

Finally, we would like to express our appreciation to the Company's employees, now seven thousand strong, and to its many customers and suppliers. Their continued loyalty is an important factor to your Company's continued success.

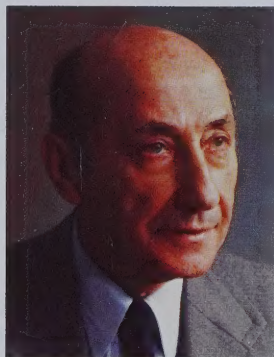
On behalf of the Board of Directors.

Isin Ivanier
Chairman

Paul Ivanier
President



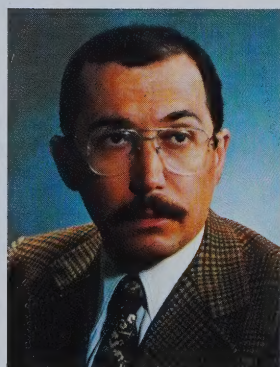
Board of Directors



ISIN IVANIER
Chairman
of the Company



PAUL IVANIER
President
of the Company



SYDNEY IVANIER
Senior Vice-President
of the Company



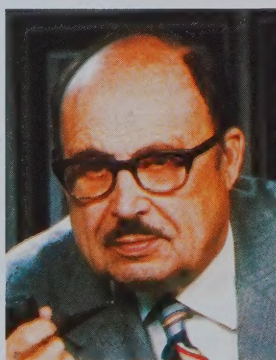
MICHAEL HERLING
Senior Vice-President
and Secretary
of the Company



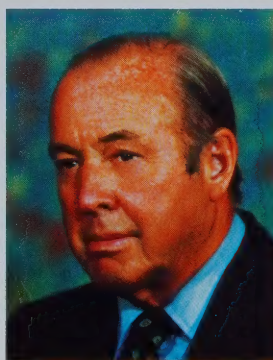
JACK KLEIN
Senior Vice-President
of the Company



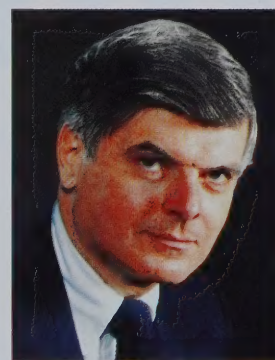
JOHN LOVERIDGE
President,
Ingersoll Machine
and Tool Company, Limited



EDWARD J. BUELL
Chairman,
Niagara Lockport
Industries Inc.

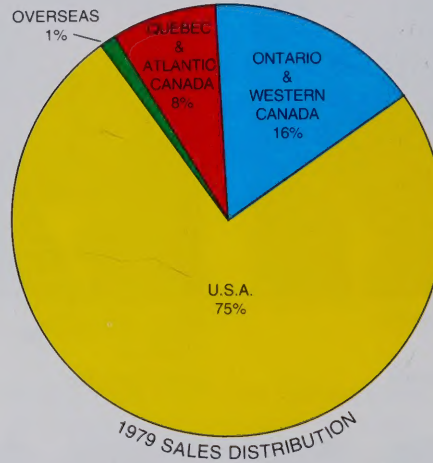
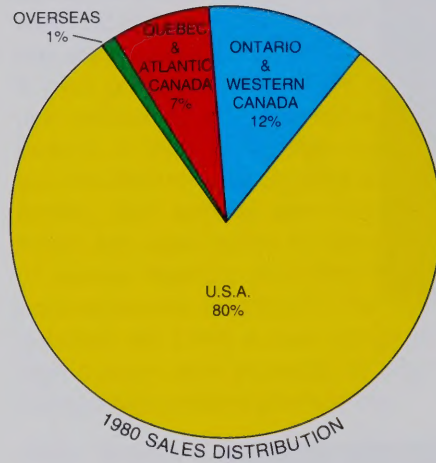


ALAN S. GORDON
Consultant,
Merrill Lynch,
Royal Securities Limited



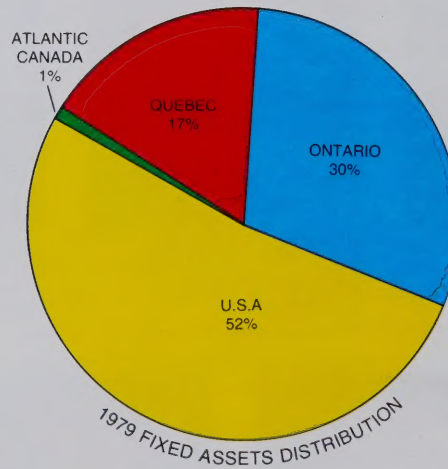
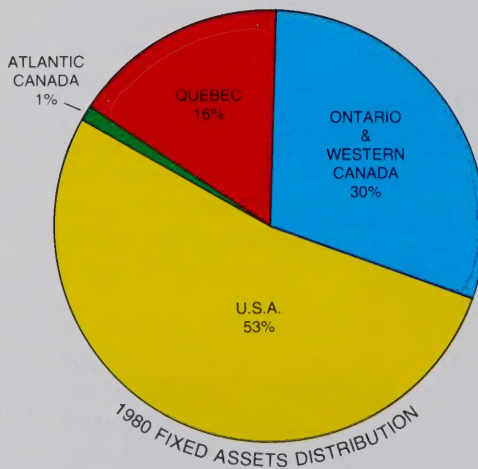
H. B. McNALLY, Q.C.
Partner,
Byers, Casgrain

Introduction to the Ivaco Group



environmentally sound and highly efficient steelmaking complexes. All of them utilize modern electric furnaces and 100% of production is achieved through continuous casting.

The Company's rolling mills are located in association with its steelmaking facilities. Rod mills, for the production of wire rods, are located at L'Original, Ontario and Atlanta, Georgia. Bar mills are located at Atlanta and Cartersville, Georgia.



Wire rods are the basic raw material for the production of wire, welded wire fabric, nails, fencing and fasteners. The Company's bar mills provide a range of products that include merchant and special quality bars, flats, rounds, angles, channels and concrete reinforcing bars.

In addition to its steelmaking and rolling mill operations and its very extensive secondary manufacturing of finished product, based on rod and bar supply, Ivaco is also (a) a substantial manufacturer of precision machined components and axles; (b) a producer of high quality high carbon wire ropes and cables; (c) a major supplier of clothing for use on paper machines; (d) a leading manufacturer of pre-engineered metal buildings.

Ivaco is a major steel producer which has systematically developed a broad range of manufacturing and marketing capabilities for finished products. Vertical integration provides security of raw material supply for finished products which, in turn, are a means of ensuring continuous high levels of

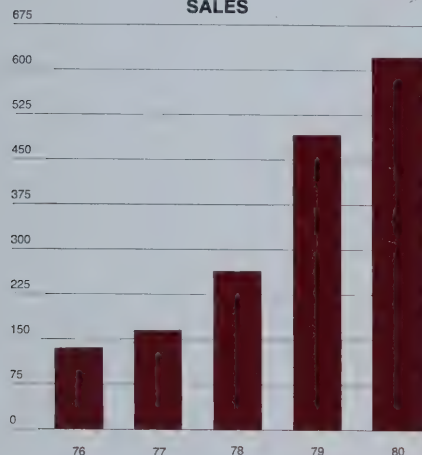
demand for the Company's basic steel.

The product ranges of its steelmaking and rolling mill operations are designed to optimize unit costs by extending production runs and decreasing change-over costs. Your Company has three separate

The Company is strongly oriented to growth both through selective acquisition and through aggressive internal expansion. The \$64.1 million spent in 1980 for net additions to fixed assets strongly demonstrates this commitment to growth. It also demonstrates the Company's policy of continual

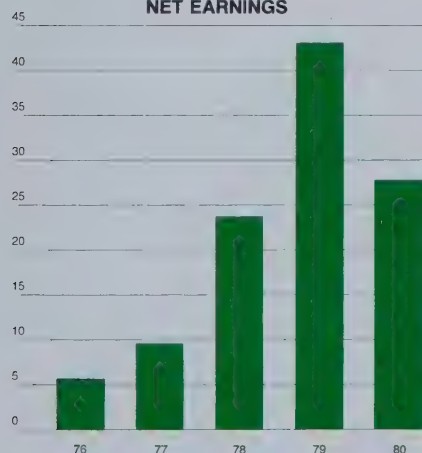
Millions of dollars
750

SALES



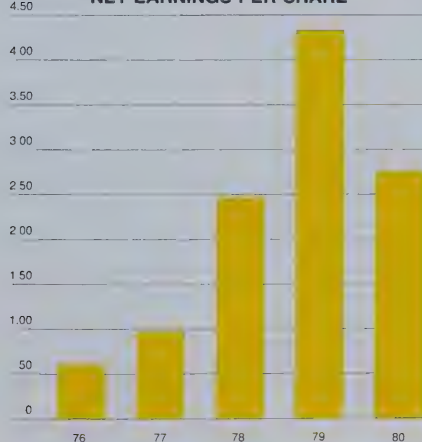
Millions of dollars
50

NET EARNINGS



\$ 5.00

NET EARNINGS PER SHARE



upgrading of production facilities. Plant layouts, equipment, and manufacturing processes are reviewed constantly to ensure that the Company's productive capacity remains at the top end of the economy scale within each of the industries in which it competes.

Growth during the decade just passed has been extremely high. The Company believes that the decade ahead promises new and extraordinary opportunities for growth — even better than that achieved in the Seventies.

Ivaco's market is primarily North America although export sales reach the markets of more than 30 countries. As the charts on page 6 illustrate, Ivaco has major productive assets in both Canada and the United States and strong sales positions in both countries.

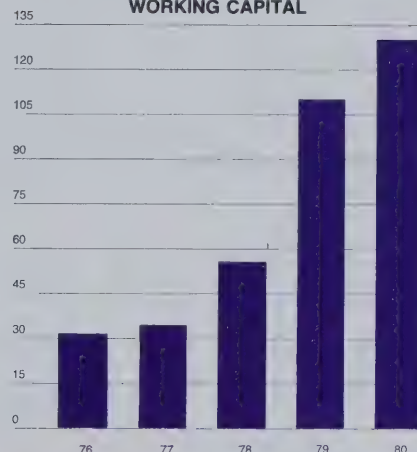
There is, assuredly, enormous potential for continued growth within these markets — the surface has hardly been scratched.

Ivaco's 34 plants cover more than five million square feet and are strategically located relative to their major markets. Each is dedicated to a relatively narrow range of products so as to ensure optimum production economies, and all are managed with the view to head their respective industries in terms of continual technological upgrading.

The following pages review each of the major product groups.

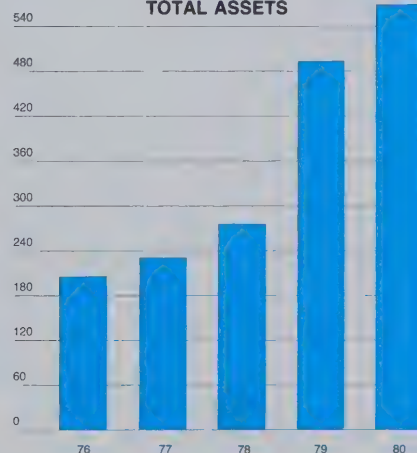
Millions of dollars
150

WORKING CAPITAL



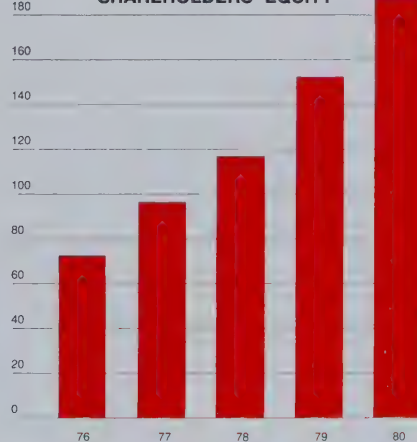
Millions of dollars
600

TOTAL ASSETS



Millions of dollars
200

SHAREHOLDERS' EQUITY



Steelmaking and Rolling Mills

Tapping the furnace — molten steel is poured from furnace to ladle which will transfer the product to the continuous caster. ►

Ivaco has three strategically located steelmaking and rolling mill complexes, one in Canada and two in the United States. All of them are cost efficient producers and each plant is modern, environmentally sound and highly regarded within the industry for consistency of high quality products.

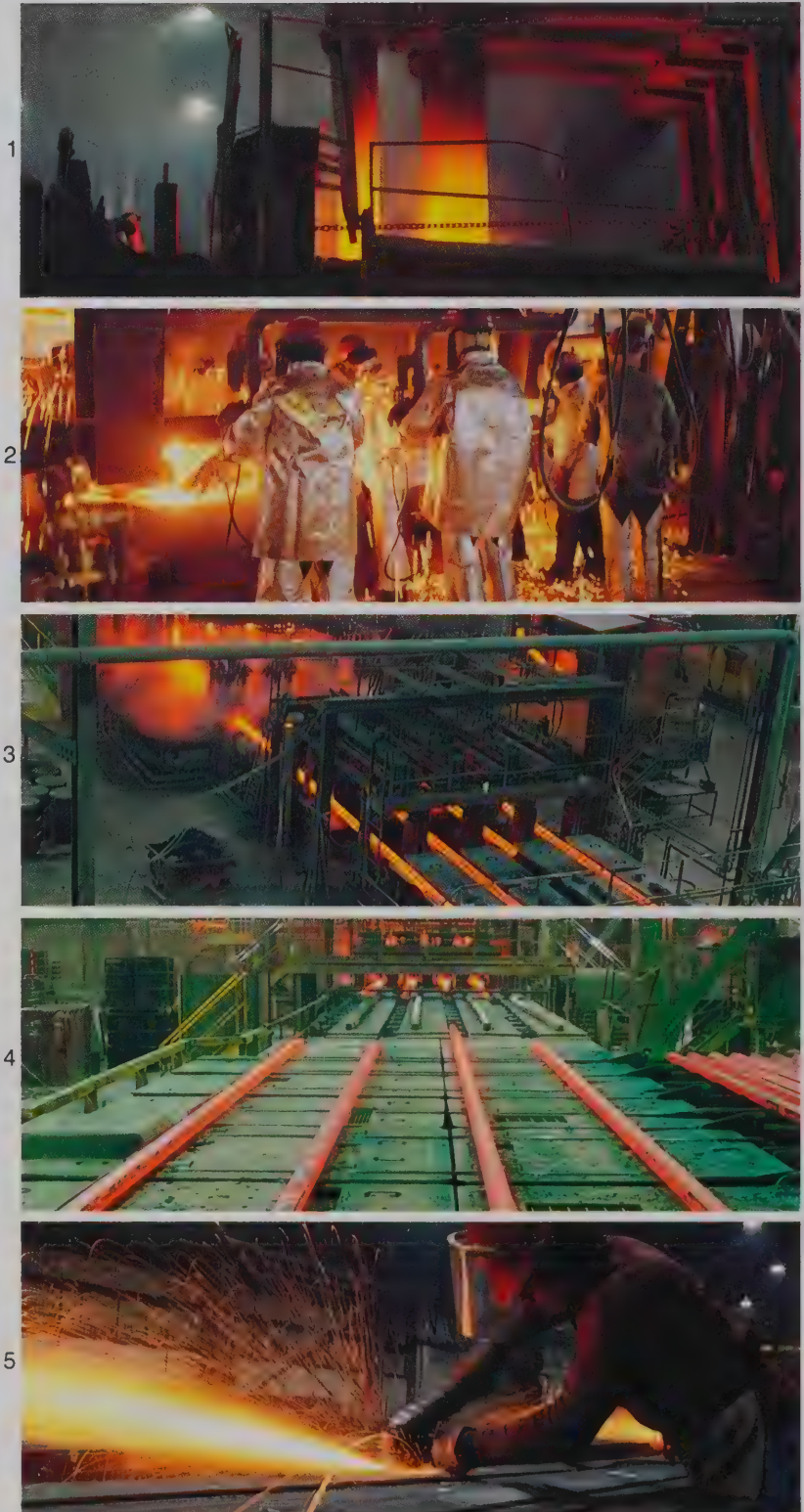
Steelmaking capacity is now 1 million tons per year and rolling capacity is in excess of 1.3 million tons. Purchased billets make up the difference between melting and rolling requirements.

All three mills utilize ultra modern electric furnaces and 100% of billet production is obtained via the continuous casting process. High plant utilization was obtained throughout 1980 with production levels being maintained at or near capacity.

The Company's three steelmaking and rolling mill complexes are at L'Orignal, Ontario and Atlanta and Cartersville, Georgia.

At L'Orignal, steelmaking and rolling operations are dedicated to a single product, wire rods, which is

1. *Electrodes in electric furnace are raised prior to scrap charge.*
2. *Tundish stream at beginning of the continuous casting process.*
3. *Newly formed steel billets are straightened and torch-cut to length as the last major step in continuous casting.*
4. *Hot billets are carried on conveyors from continuous caster to cooling bays.*
5. *Billet conditioning -- minor surface blemishes are removed prior to moving billets to the billet bay.*







Ivaco's newest continuous casting facility -- this split six-strand continuous caster went on-stream at Atlanta late in the year.



Steelmaking and Rolling Mills (continued)

the raw material used in the Company's wire, welded wire fabric, fencing, nail and fastener plants. This single purpose concept results in virtually continuous production of high quality product, utilizing long production runs, thus enhancing economies. It also allows maximum flexibility for the production of custom sizes and grades based on very fast response time.

Within the process of continuous upgrading of manufacturing facilities, which is necessary for your Company to maintain its position as one of the most modern and efficient steelmakers in North America, the L'Original steelmaking and rolling mill facilities are being improved by:

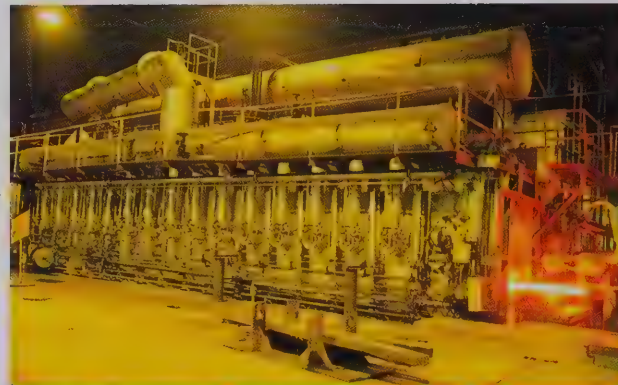
—A new tundish exchange system which eliminates delays in transferring molten steel from ladle to continuous caster.

—Expansion of the scrap bay area including the addition of a new scrap crane.

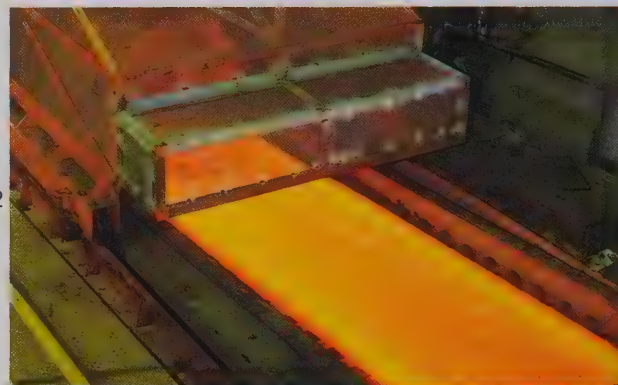
—The addition of water cooled panels and roofs to both electric furnaces. These installations will extend refractory life and ultimately increase overall steelmaking capacity.

—The addition of four horizontal-vertical pre-finishing stands which will increase wire rod production.

1. *This billet reheat furnace is equipped with a recuperator which recycles hot gases resulting in major energy savings.*
2. *Laying head for wire rods at Atlanta.*
3. *Laying heads and twin "no-twist" finishing mill feeds retarded cooling lines which impart beneficial metallurgical characteristics at L'Original, Ontario.*
4. *Wire rod is coiled at the end of the production process.*



1



2



3



4





▲ Newly installed intermediate and "no-twist" finishing mill has helped double wire rod production capacity and greatly enhance quality at Atlanta.

The Company's major steelmaking capital project for 1980 was at Atlanta where a split six-strand continuous caster was installed to replace the ingot/blooming mill system. Engineering began in September 1979, construction started in January 1980, and the first billets were cast in December 1980, remarkable speed for such a complex project. It uses the latest techniques for stirring and shrouding, and allows for billet and slab casting in lengths up to 50 feet.

Heat size at Atlanta has been increased from 85 to 90 tons as a result of furnace modifications and through the addition of new ladles and cranes.

New water cooled panels for the electric furnaces at Atlanta have contributed significantly to refractory savings and the installation of energy efficient ladle preheaters has resulted in better steel temperature control for improved casting quality.

Also at Atlanta, completion of the rod mill expansion was realized by September. The equipment is designed for finishing speeds up to 20,000 feet per minute and includes controlled cooling, a "no-twist" finishing block, and horizontal-vertical pre-finishing stands, all designed to meet high standards for rod roundness, surface quality and special metallurgical properties. As wire drawers know, rod produced by the "no-twist" finishing block method provides smoother, rounder, better quality product.

Other improvements at Atlanta included modifications to the rod mill and to the billet reheat furnace to accept the larger 5½" square billets which has resulted in 3,000 pound coil weights.

12" bar mill at Cartersville, Georgia rolling concrete reinforcing bars. ►



Steelmaking and Rolling Mills (continued)

The nerve center of a rolling mill. It's called the pulpit. This one is located at Cartersville, Georgia.



At Cartersville, the Company has an ultra modern steelmaking and rolling mill operation which received "fine tuning" improvements during the year. Among other things, new ladle preheaters in the steelmaking section and specialized pouring reels in the rolling mill were added. The pouring reels allow production of 2,000 pound bars in coils which supplement the straight bar capability. Products such as reinforcing bars and special bar quality rounds are now available in coils as well as straight lengths.



Finished rebar are cooled prior to inspection, trimming and shipment.

Wire Products

Wire, welded wire fabric and fencing represent an important part of your Company's production and sales.

During the year, production was maintained at high levels and the continuous process of expanding and upgrading of productive capacity was maintained.

Projects completed or underway during the year included: the addition of wire drawing machines and augmented acid regeneration for the rod cleaning facility at Ingersoll, Ontario; installation of a large scale wire patenting line for heat treating of wire at Marieville, Quebec; further modernization of rod cleaning at Buffalo, N.Y.; the addition of a building and installation of a strand galvanizing line at Baltimore, Maryland; additional welded wire fabric capacity at Savannah, Georgia; new vinyl extrusion lines for plastic coated wire at Hyattsville, Maryland and Dunnville, Ontario; new high speed wire drawing machines at Warrenton, Virginia; new "galvanize-after-weaving" chain link fence lines at both Atlanta, Georgia and Hyattsville, Maryland.

In addition to large scale production of wire in a wide variety of sizes and grades for thousands of industrial customers, your Company is a major manufacturer of welded wire fabric for concrete reinforcement,

Wire rods are chemically descaled and coated in preparation for wire drawing. ►



High speed wire drawing at Marieval, Quebec. ▼



Part of a large bank of annealing furnaces where finished wire is heated and cooled under ▲ controlled conditions.

Wire Products (continued)

oil-tempered and other high carbon spring wire, fencing in galvanized and vinyl finishes and barbed wire.

Production facilities are oriented toward high speed, automated, and sophisticated wire drawing and finishing. The maintenance of exacting standards for quality, reliability, and customer service have continued to make your Company one of North America's most important suppliers of wire and wire products.

Welded wire fabric manufactured by your Company is put into position to reinforce the concrete base of one of the world's best known landmarks on Capitol Hill, Washington. Top is the Washington Monument, bottom is the Lincoln Memorial.



Bed spring manufacturers are large consumers of wire supplied by your Company. ▼



Reinforced concrete pipe is a large market for welded wire fabric. Picture shows ▲ Ivaco-produced mesh being positioned in a large diameter pipe form.

Nails

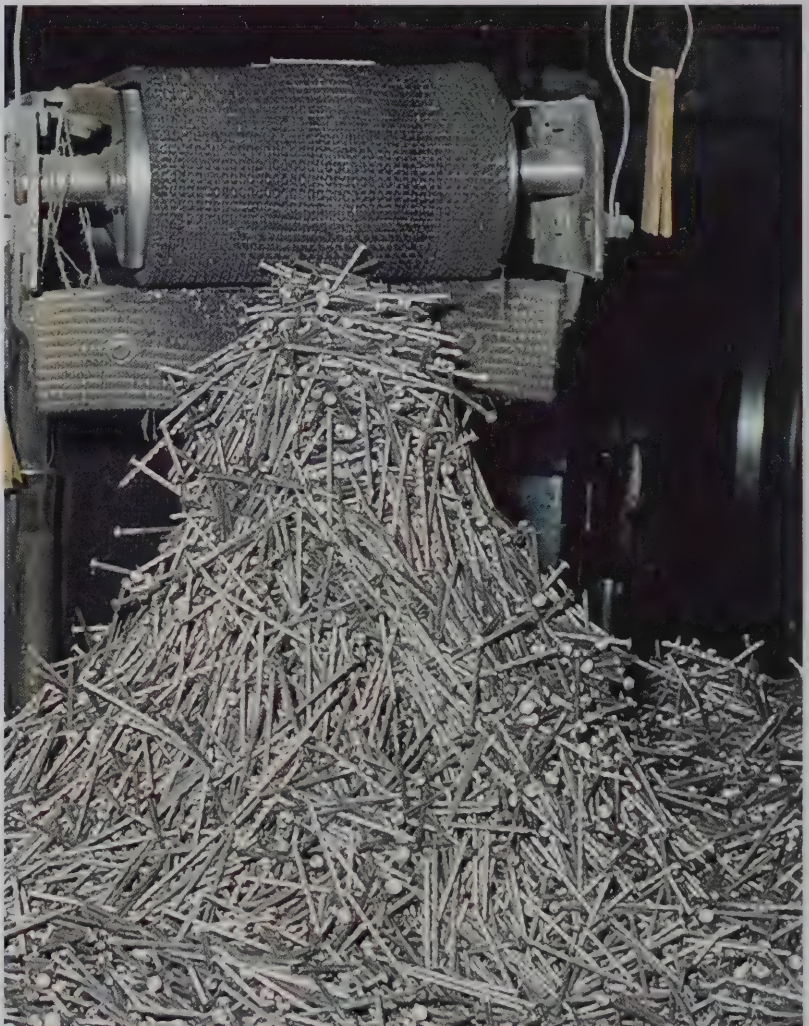
Nails are a fundamentally important building product. They are basic to new construction and to the repair and renovation of existing structures. They are used in immense quantities by the construction industry and in the woodworking and packing industries.

The manufacture of nails results in significant consumption of wire rods and thus the Company's extensive and widespread productive capacity creates important finished product markets for substantial tonnage of Ivaco produced steel.

The Company's six nail plants are modern, highly efficient and able to respond quickly and effectively to market opportunities. This means the Company is favourably positioned to achieve improved margins which can be expected to occur when the pace of new construction increases throughout North America.

As one of the major manufacturers of nails in North America, Ivaco has developed formidable competitive resources that include ready availability of wire rods, with the appropriate metallurgical properties, and wire drawing capacity in six strategically located plants. It has sufficient manufacturing flexibility to produce and ship at very short notice an extremely wide variety of products.

Nails leaving the first basic manufacturing step -- after heading and pointing they are ready for coating, inspection and packaging. ▼



A section of the Florida Wire & Nail plant at Quincy, Florida. ►

*This is a section of the Mariville, Quebec
nail plant.*



Fasteners

Your Company is a major supplier of fasteners to industrial consumers across North America and elsewhere in the world.

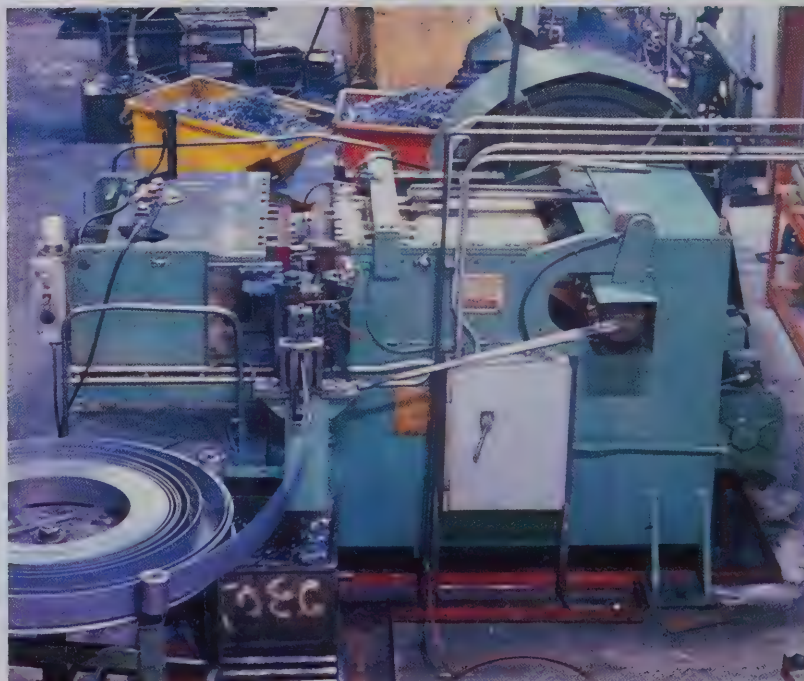
Fastener production ranges from the very large diameter bolts and nuts used in the building of bridges and other large steel structures to fasteners for automobiles, farm and industrial machinery, and a host of other products.

New productive capacity was installed and put into operation at each of the three fastener manufacturing plants during the year. At Marieville, Quebec, an environmentally oriented rod cleaning facility was brought on-stream. This new "pickle house" recaptures both spent sulphuric acid and acid fumes resulting from the cleaning process and converts them into reusable sulphuric acid and ferrous sulphate salts. The latter is a profitable by-product sold to the fertilizer and water treatment industries. Also at Marieville, and in line with industry trends toward increased demand for heat treated fasteners, furnaces and related equipment received major upgrading.

New machinery additions included cold nut formers at Toronto and a large-size (3/4") cold header for bolts at Ingersoll.

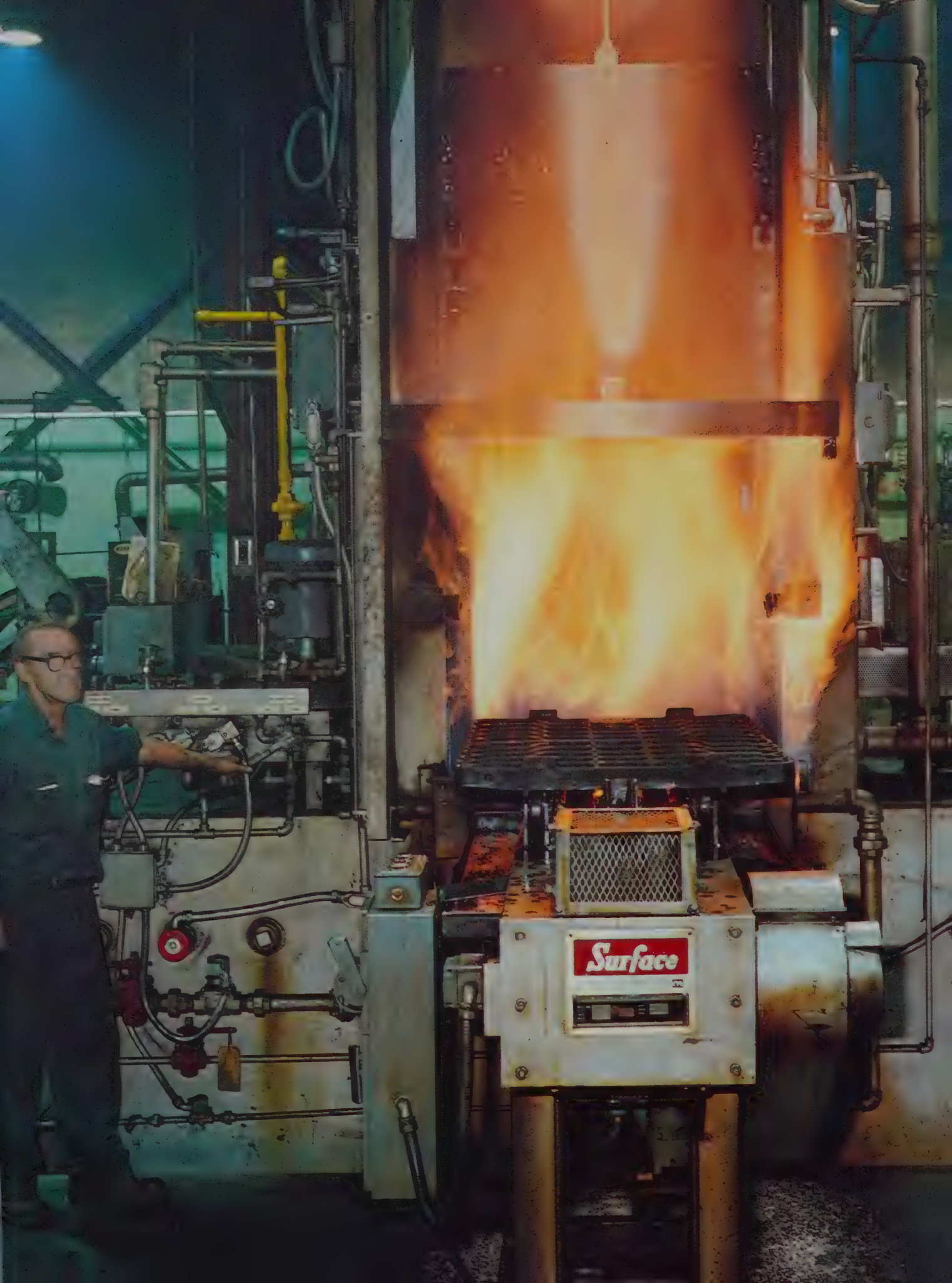
At Galvano, the custom coating and galvanizing division, located at Beloeil, Quebec, two of four computer controlled lines were modified during 1980 and capacity was increased by some 40%.

A bank of high speed boltmakers at Marieville, Quebec. ▼



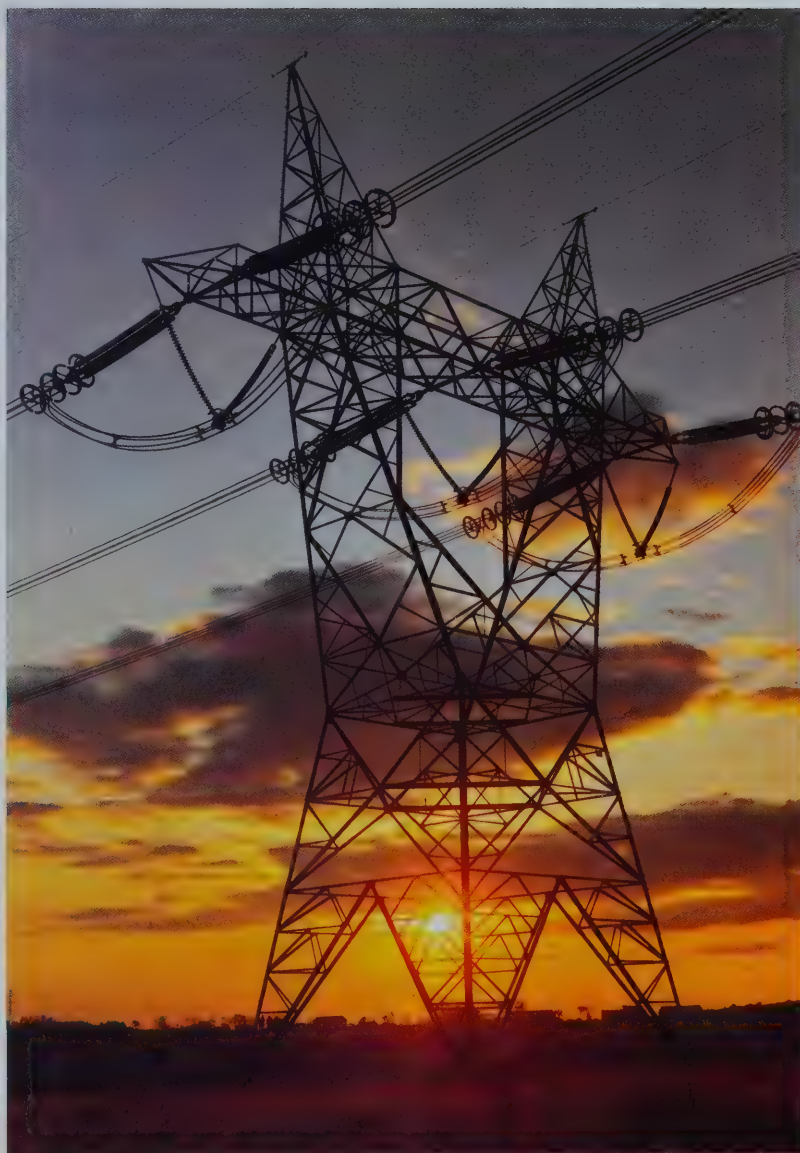
This high speed machine produces ▲ washers at Ingersoll, Ontario.

Bolts are fed into a heat treating furnace at Ingersoll, Ontario. ►



Fasteners (continued)





One of the many large tonnage uses for fasteners is the construction of electric power transmission towers. Each tower may require thousands of fasteners.

Precision Machined Components and Axles

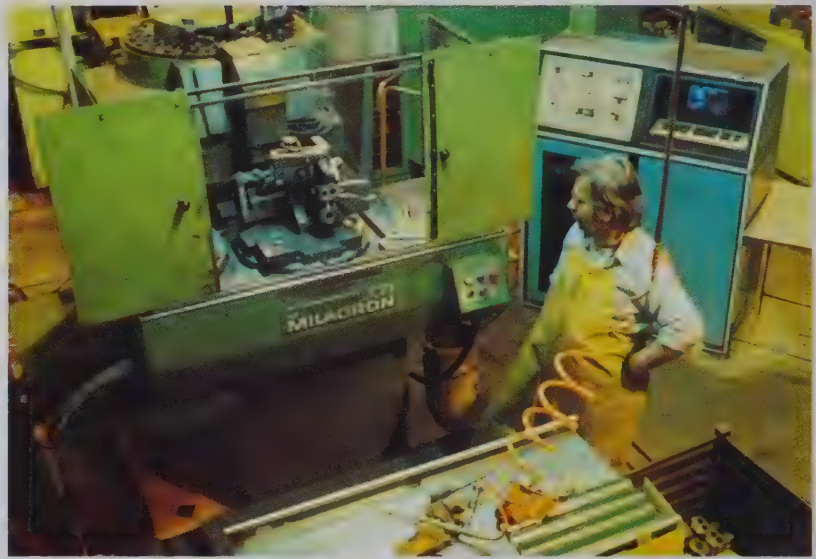
A new 70 thousand square foot manufacturing plant was commissioned during the year by Ingersoll Machine and Tool at Ingersoll, Ontario. This new plant will house the much enlarged facilities of the precision machined components group.

Ingersoll manufactures axles and precision machined components for the automotive, farm, industrial and construction machinery industries as well as defence products.

Demand remained high for the Company's heavy duty trailer axles and in particular for its self-steering axles. This axle is so designed that when a trailer turns a corner the wheels align themselves to the curb, thus reducing drag and tire wear to a minimum. These axles are particularly valuable in mountainous country where straight roads are the exception rather than the rule.

A recent significant event was the signing of a contract with the Government of Canada naming Ingersoll Machine and Tool as the Preferred source of supply to the Government for all large calibre ammunition projectiles. Each projectile requires considerable precision machining. The contract term is for at least 10 years. Associated with the project, Ingersoll has acquired P.C. Drop Forgings Limited of Port Colborne, Ontario, a well known company in the forging industry. About \$8 million will be spent over the next 2 years to augment present forging and machining capabilities at both the Port Colborne and Ingersoll plants. Some of the equipment to be installed will be the largest of its type in Canada.

Automated machining is checked by a skilled operator. ▼



A truck axle in the assembly process. ▲

Welding a heavy duty truck axle. ►



Pre-engineered Metal Buildings

Pre-engineered metal building systems have a multitude of uses. They are cost effective for almost all low rise, non-residential applications including factories, warehouses, recreational complexes, stores, offices, aircraft hangars and agricultural structures.

Atlantic Building Systems manufactures metal buildings at two locations: Tallapoosa, Georgia, and Hannibal, Missouri. These locations make it possible to compete effectively throughout most of North America.

One major achievement during the past year was the installation of a sophisticated new computerized engineering and drafting system. This new interactive graphic system makes it possible for Atlantic Building Systems' engineers to respond quickly to client requirements for custom designs. The system's ability to design and produce drawings rapidly and accurately enable it to deal with the complexities being introduced into the construction industry by new energy and building code requirements. It is also proving to be a major cost reduction factor.

The Company has more than 15 thousand standard combinations of building widths, heights and loads. It has produced structures in sizes ranging from one thousand square feet to more than one million square feet and can design a wide variety of custom facings or other aesthetic individual characteristics for the building owner.

The large open spaces of this recreational building are typical of Atlantic Building Systems' capability to engineer low cost space. ▼



A factory building with an attractive, custom facade manufactured by Atlantic Building Systems. ▲

This newly completed glass plant for PPG Industries, Inc. is located at Mount Zion, Ill., and has some 17½ acres under one roof. ►



Wire Ropes and Cables



This relatively large diameter wire rope is ▲ being wound automatically on a reel prior to shipping.

Newly acquired Wrights Canadian Ropes Ltd., of Vancouver, B.C. is a successful, profitable, and well established manufacturer of wire ropes and cables. It is a major supplier to the Western Canada forestry, marine, mining, oil drilling and construction industries as well as to specialty markets such as ski chairlift operators.

Wire rope is manufactured from high carbon wire which is formed into strand of various geometrical arrangements. The strands are laid around cores composed of fibre, plastic, or small diameter wire rope.

Wrights has an enviable reputation within its customer constituency for product quality and reliability. It has two different production methods: the tubular system, for high speed manufacture of small ropes; and the planetary system, wherein bobbins revolve around the central core. The latter is generally used for larger ropes and those meeting specific high quality or performance criteria.

The final product must meet the most exacting standards of strength, toughness, flexibility, and resistance to fatigue and abrasion. The steel wire used is drawn to the strictest specifications and every coil is tested thoroughly to ensure compliance with these standards.

Supply of wire ropes and cables is a highly technical field and most products are designed for a specific application. One major area for expanded demand is the rapidly growing surface mining industry of Western Canada.

Another major consumer of wire ropes is the oil and gas exploration industry. Wrights has been notably successful in supplying this particularly service-sensitive industry and it anticipates further growth in the future.





This is a partial view of Wrights Canadian ▲
Ropes' manufacturing facility at Vancouver.

Paper Machine Clothing

1980 was a good year for paper manufacturers throughout North America and your Company performed well as a leading supplier of high technology fabrics and felts to the industry.

Niagara Lockport is capable of supplying fabrics and felts for any paper machine in the world, including the widest ever built.

There are three basic types of paper machine clothing: (i) the forming fabric, which accepts the pulp-water mixture as the first step in forming the sheet; (ii) the pick-up or wet felt, which carries the sheet through its secondary moisture reduction phase; and (iii) dryer felts, which carry the sheet through the dryer sections preparatory to packaging and shipping. All fabrics and felts are flawless, endless belts having lengths up to 460 feet, operating at tremendous speeds, and are engineered individually for each specific paper machine.

Major expansions during the year occurred at Starkville, Mississippi and Warwick, Quebec.

At Starkville, a large new manufacturing building, built by our own Atlantic Building Systems, was erected to house new weaving, needling and finishing equipment. The new finishing system allows washing, water extraction, stretching, heat setting, and the application of treatments and trade line marking in one operation, eliminating the need of separate washing and extraction systems. It is the most modern in the industry and results in reduced handling and significantly improved physical appearance and quality. The new weave looms are 550 and 900

A routine quality assurance check is performed during the weaving of a fabric. ►



1. Technicians set up a high speed loom to weave a wet felt for a paper machine.
2. Fabric is cleaned, stretched and finished prior to shipment.
3. A needle loom at Starkville, Mississippi.



inches wide and capable of weaving any monofilament yarn using the batt-on-mesh concept, which is the industry's highest quality product and for which a definite customer preference has been established. Also, a new 540 inch needle loom, along with a 360 inch needle loom, were started up early in 1981 and provide additional needling capacity.

At Warwick, a new heavy duty weave loom and an additional needle loom were installed and brought into production during the year.

A major advantage enjoyed by Niagara Lockport over some competitors is the availability of high density needling of large felts on a needle loom which is one of the largest in the world. This loom, which was installed at Starkville in late 1979, allows for double needle penetration of the felt surface and provides a smoother finish, a very important factor to paper makers. It is highly automated and reduces the time normally required to needle a fabric by a considerable amount.

With the improvements and additions made to manufacturing capacity in recent years, and combined with intensive, successful marketing and the R&D group efforts, Niagara Lockport is well positioned to take advantage of future market opportunities as they present themselves.

The market for these specialized and individually engineered fabrics and felts is extremely large. There are well over one thousand paper machines in North America and the industry's continuous upgrading of speed and quality requirements for fabrics provide a marvelous opportunity to increase market share for suppliers having the technical resources and engineering skills to maintain product reliability combined with continual innovation.

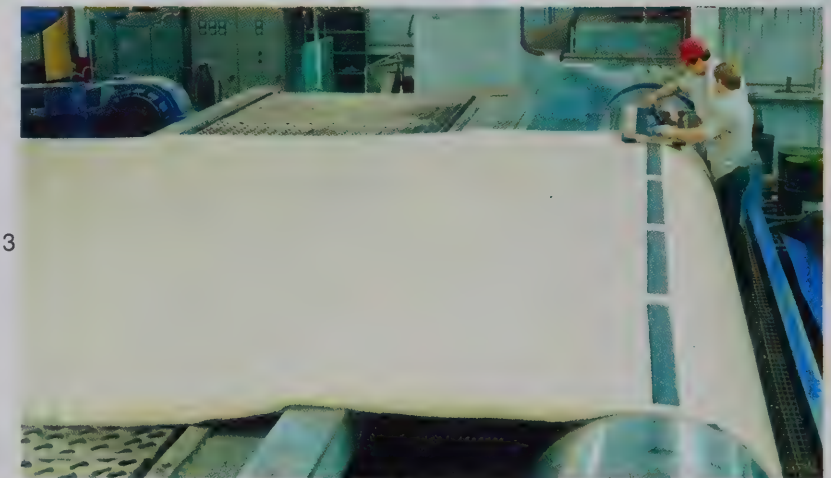
These are areas in which the paper machine clothing group excels.



1



2



3

1. Inspectors check every inch of a newly woven fabric.
2. Great precision is required to weave a paper machine forming fabric into an endless belt without any bumps or blemishes.
3. These lines are stenciled onto the wet felts to provide a visual guide to paper-makers during high speed operation.

Paper Machine Clothing (continued)



▲ Loom set-up for paper machine fabrics is a meticulous process as each fabric is custom designed for the machine on which it is used.

Consolidated Balance Sheet

As at December 31, 1980

		Thousands of dollars	
Assets		1980	1979
Current	Accounts receivable	\$ 75,901	\$ 76,925
	Inventories		
	Finished and semi-finished	83,589	67,355
	Raw materials and supplies	111,880	111,497
		195,469	178,852
	Prepaid expenses	2,352	1,561
	Total current assets	273,722	257,338
Investment in non-consolidated companies at equity (Note 2)		23,391	7,116
Fixed	Land	4,522	4,134
	Buildings	70,401	57,854
	Machinery and equipment	309,905	259,365
		384,828	321,353
	Less accumulated depreciation	114,727	105,214
	Total fixed assets	270,101	216,139
Other assets (Note 3)		5,466	3,087
	Total assets	\$572,680	\$483,680

On behalf of the Board of Directors

Isin Ivanier, Director

Paul Ivanier, Director

		Thousands of dollars	
Liabilities		1980	1979
Current	Bank indebtedness, partly secured	\$ 33,463	\$ 35,508
	Accounts payable and accrued liabilities		
	Trade and other	85,926	72,761
	Directors	3,414	1,973
	Income taxes	—	14,145
	Current maturities of long-term liabilities	12,791	14,880
	Current portion of deferred income taxes	8,273	7,737
	Total current liabilities	143,867	147,004
Long-term liabilities (Note 4)		187,473	143,192
Deferred income taxes		52,071	40,750
Minority interest		1,444	1,041
Shareholders' Equity			
	Capital stock (Note 5)	61,162	44,231
	Retained earnings (Note 6)	126,663	107,462
	Total shareholders' equity	187,825	151,693
	Total liabilities and shareholders' equity	\$572,680	\$483,680

Consolidated Statement of Earnings

For the year ended December 31, 1980

		Thousands of dollars	
		1980	1979
Net sales		\$621,855	\$495,363
Cost of sales and operating expenses		540,629	398,619
Depreciation		14,050	10,280
Amortization		898	1,141
Interest on long-term liabilities		18,285	10,414
Other interest		7,684	5,911
		581,546	426,365
Earnings of consolidated group before income taxes and other items		40,309	68,998
Provision for income taxes			
Current		2,018	18,205
Deferred		10,384	7,194
		12,402	25,399
Earnings before other items		27,907	43,599
Equity in net earnings of non-consolidated companies		804	—
Minority interest		(403)	(857)
Net earnings		\$ 28,308	\$ 42,742
Net earnings per common share		\$2.73	\$4.40

Consolidated Statement of Retained Earnings

For the year ended December 31, 1980

		Thousands of dollars	
		1980	1979
Balance at beginning of year		\$107,462	\$ 72,646
Net earnings		28,308	42,742
		135,770	115,388
Deduct			
Preferred dividends		2,113	1,551
Common dividends including stock dividends payable in subordinated preferred shares of which \$1,315 thousand were issued in 1980 and redeemed in 1981 (\$2,106 thousand issued in 1979 and redeemed in 1980)		6,243	6,375
Costs relating to issue of Series D preferred shares		751	—
		9,107	7,926
Balance at end of year		\$126,663	\$107,462

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1980

		Thousands of dollars	
		1980	1979
Sources of working capital	Operations		
	Net earnings	\$ 28,308	\$ 42,742
	Depreciation and amortization	14,948	11,421
	Deferred income taxes	10,981	5,104
	Other items	(637)	308
	Total from operations	53,600	59,575
	Issue of capital stock	18,166	440
	Net increase in long-term liabilities	43,965	52,067
	Working capital of subsidiaries at dates of acquisition	3,193	43,472
	Total sources of working capital	118,924	155,554
Uses of working capital	Acquisition of shares of subsidiaries	6,191	60,355
	Increase in investments	15,531	—
	Net additions to fixed assets	64,160	34,288
	Dividends		
	Preferred	2,113	1,551
	Common	4,928	4,269
	Redemption of subordinated preferred shares issued as stock dividend in 1979	2,106	—
	Costs relating to issue of Series D preferred shares	751	—
	Other items	3,623	1,842
	Total uses of working capital	99,403	102,305
	Increase in working capital	19,521	53,249
	Working capital at beginning of year	110,334	57,085
	Working capital at end of year	\$129,855	\$110,334

Notes to Consolidated Financial Statements

December 31, 1980

1. Significant accounting policies

The Company follows generally accepted accounting principles in the preparation of its consolidated financial statements which were applied, except for the change in the method of accounting for unrealized gains on translation of working capital of U.S. subsidiaries described in Note 1 b, on a basis consistent with the preceding year.

a. *Basis of consolidation*

The consolidated financial statements include the accounts of Ivaco Inc. and its operating subsidiaries. The excess of cost over net assets at the dates of acquisition is allocated to fixed assets and is being depreciated over the estimated useful lives of the respective fixed assets. Investments in companies in which Ivaco has a 20% to 50% ownership interest and investments in non-operating subsidiaries are carried on the equity method of accounting. The difference between the underlying book value of net assets at the dates of acquisition and the purchase price is being amortized over the estimated useful lives of the investees' fixed assets.

b. *Foreign exchange*

Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for working capital items and at approximate exchange rates prevailing at the transaction dates for non-current assets and liabilities. Income and expenses other than depreciation and amortization are translated at average exchange rates prevailing during the year; depreciation and amortization are translated at historic exchange rates. Gains and losses on translation are included in the determination of earnings except those resulting from translation of working capital of U.S. subsidiaries. Unrealized gains and losses on translation of working capital of U.S. subsidiaries are deferred, which is a change from the previous year when unrealized gains of \$217 thousand were included in earnings. The unrealized gain deferred in 1980 is \$1,048 thousand.

c. *Inventory valuation*

Inventories are stated at the lower of cost (determined substantially on the first-in, first-out method) and net realizable value.

d. *Fixed assets and depreciation*

Fixed assets are stated at cost after deducting related government grants and are depreciated on the straight-line basis over their useful lives. The estimated useful lives of the principal classes of fixed assets are:

Buildings	40 years
Steelmaking and rolling mill equipment	25 years
Manufacturing equipment	15 years

e. *Deferred preproduction costs*

Certain costs relating to the start-up of new facilities or major plant additions, incurred prior to the commencement of commercial production, are deferred and amortized over periods of up to five years.

2. Investment in non-consolidated companies at equity

	Thousands of dollars		
	Laclede Steel Company	Others	Total
Carrying value of investments, December 31, 1979	\$ 5,761	\$1,355	\$ 7,116
Increase in investments	13,121	2,410	15,531
Equity in net earnings	615	189	804
Dividends received	—	(60)	(60)
Carrying value of investments, December 31, 1980	\$19,497	\$3,894	\$23,391
Share of equity, December 31, 1980	\$28,056	\$2,694	\$30,750

In October 1980, the Company purchased 560 thousand newly issued shares of Laclede Steel Company for \$13.1 million (\$11.2 million U.S.) and thereby increased its investment in Laclede from 19.7% to 40%. Accordingly, the basis of carrying the investment was changed from the cost method to the equity method of accounting. Also, in October 1980, a 50% interest in Bakermat Inc. was acquired.

3. Other assets

	Thousands of dollars	
	1980	1979
Deferred preproduction costs and other deferred charges, less amortization	\$4,231	\$2,492
Other items	1,235	595
Total other assets	\$5,466	\$3,087

4. Long-term liabilities

	Thousands of dollars	
	1980	1979
Secured		
Debentures payable in varying installments to 1993		
Series A at 9¼% (\$24.4 million U.S.)	\$ 28,861	\$ 29,208
Series B at 10%	19,600	19,800
Note (10.875%) payable in increasing annual installments to 1995 (\$6.5 million U.S.)	7,608	—
Industrial Revenue Bonds (8.125%) payable in increasing annual installments from 1986 to 2000 (\$3.5 million U.S.)	4,092	—
Mortgages (7% to 10.625%) payable in varying monthly installments to 2000	6,646	2,080
Unsecured		
Bank loans (107.5% of U.S. prime) payable in varying installments to 1987 (\$70.2 million U.S.)	82,091	58,343
Bank loan (prime plus ½%) payable in varying annual installments from 1984 to 1986	6,200	—
Notes (principally at 8.125%) payable in increasing annual installments to 1995 (\$26.5 million U.S.)	30,990	31,165
Deferred accounts payable (principally at 16.4%), of which \$8.8 million are in U.S. funds, payable in varying installments to 1986	11,138	13,093
Other	3,038	4,383
	200,264	158,072
Less current maturities	12,791	14,880
Total long-term liabilities	\$187,473	\$143,192

Required payments over the next five years are:

\$12.7 million in 1981; \$16.1 million in 1982; \$18.8 million in 1983; \$21.2 million in 1984; and \$21.0 million in 1985.

5. Capital stock

Authorized

An unlimited number of common shares, preferred shares issuable in series and subordinated non-voting preferred shares, all without par value.

Issued and outstanding

	Number of shares		Thousands of dollars	
	1980	1979	1980	1979
Common shares	9,649,562	9,390,380	\$27,272	\$23,516
Cumulative redeemable preferred shares				
\$3.00 Series B	—	73,092	—	3,654
\$4.425 Series C	291,500	299,100	14,575	14,955
\$2.50 Series D	720,000	—	18,000	—
Subordinated preferred shares	131,550	210,596	1,315	2,106
Total capital stock			\$61,162	\$44,231

In June 1980, the Company was continued under the Canada Business Corporations Act. The Articles of Continuance provide, among other things, for the restatement of the capital structure to include the removal of any limits on the number of shares which may be issued from time to time, the redesignation of the 8.85% cumulative redeemable preferred shares, Series C as \$4.425 cumulative redeemable preferred shares, Series C and the redesignation of the 5% redeemable non-cumulative, non-voting preferred shares as subordinated non-voting preferred shares.

Common shares

During the year 20,100 common shares were issued for \$166 thousand under the employees' stock option plan and 239,082 common shares were issued for \$3,589 thousand on conversion of Series B preferred shares.

Preferred shares

Series B

In May 1980, the then outstanding Series B preferred shares were redeemed for cash at 106% of their par value.

Series C

The Series C preferred shares are non-voting and rank equally with the Series D preferred shares and may be purchased by the Company on the open market at prices not exceeding \$53 per share prior to July 1, 1982 and thereafter at prices not exceeding the applicable redemption price. Also, the Company will make all reasonable efforts to purchase 3,000 shares for cancellation on the open market in each calendar quarter at prices not exceeding \$50 per share. During the year, the Company purchased and cancelled 7,600 shares. The Series C preferred shares may be redeemed on or after July 1, 1982 at a premium of \$3 per share in the first year decreasing by \$0.375 for each year commencing thereafter up to and including July 1, 1990, and thereafter without premium.

Series D

In July 1980, the Company issued 720,000 \$2.50 cumulative redeemable preferred shares, Series D for cash. The Series D preferred shares are non-voting and rank equally with the Series C preferred shares and may be purchased by the Company on the open market at prices not exceeding \$26.50 per share prior to October 1, 1987 and thereafter at prices not exceeding the applicable redemption price. Also, the Company will make all reasonable efforts to purchase 3,600 shares for cancella-

5. Capital stock (continued)

tion on the open market in each calendar quarter during the period from October 1, 1981 to September 30, 1986 at prices not exceeding \$25 per share and 7,200 shares for each quarter thereafter. The Series D preferred shares may be redeemed on or after October 1, 1986 at a premium of \$1.50 per share in the first year, decreasing by \$0.25 for each year commencing thereafter up to and including October 1, 1992 and thereafter without premium. On October 1, 1986 the Company will purchase for redemption, at the option of each holder, at \$25 per share, 360,000 shares less the number of shares previously redeemed or purchased and on October 1, 1992 the Company will purchase all other shares tendered at \$25 per share.

Subordinated preferred shares

The subordinated preferred shares are non-voting, redeemable at issue price and rank after the Series C and Series D preferred shares, and ahead of the common shares in respect of non-cumulative dividends of \$0.50 per share.

Employees' stock option plan

Under the employees' stock option plan, options at December 31, 1980 for 129,450 common shares were outstanding (1979 — 120,750 shares) at prices varying from \$8.50 to \$22.75 per share and an additional 55,300 common shares were reserved for issue (1979 — 34,100 shares).

6. Retained earnings

Under the terms of the Company's Secured Debentures certain payments, principally cash dividends on common shares, are limited to a certain amount of retained earnings. At December 31, 1980 the Company had approximately \$34 million of retained earnings available for such payments.

7. Acquisitions

- a. In December 1980, the Company purchased all of the outstanding common stock of Wrights Canadian Ropes Ltd. of Vancouver, British Columbia for cash. The acquisition is accounted for by the purchase method and their results of operations are included in the consolidated financial statements from the date of acquisition. Summarized below are the assets and liabilities at the date of acquisition.

	Thousands of dollars
Current assets	\$4,688
Current liabilities	1,495
Working capital	3,193
Net fixed assets	3,615
Investments and other assets	39
Deferred income taxes	(340)
Long-term liabilities	(316)
Total acquisition cost	\$6,191

- b. The consolidated statement of earnings includes the results of Atlantic Steel Company, which was acquired in August 1979, for five months in 1979 and a full year in 1980.
- c. Under the terms of a purchase agreement Ivaco can increase its ownership percentage in National Wire Products Corporation of Md. from 60% to 95% for a predetermined amount of cash based on National's future profits.

8. Pensions

The Company and its subsidiaries have pension plans covering a majority of employees. Pension expense in 1980 of \$7.1 million (1979 — \$2.9 million) includes amortization of past service costs over periods of 15 to 40 years. Pension expense

8. Pensions (continued)

in 1980 increased primarily because Atlantic Steel, which was acquired in August 1979, was included for the full year in 1980.

The actuarially computed value of vested benefits as of the dates of the most recent actuarial studies exceeded the market value of pension fund assets and balance sheet accruals at those dates by approximately \$34 million.

9. Directors' and officers' remuneration

The Company has nine directors and nine officers. The remuneration paid to the directors and officers was \$9 thousand and \$1,243 thousand, respectively. Six of the officers are also directors.

10. Transactions with related parties

From time to time the Company borrows short-term funds from certain directors who are senior officers of the Company and makes drawings available to them, all at prime interest rates. At no time have drawings by these persons exceeded the short-term funds loaned by them to the Company.

11. Segmented information

The Company operates as an integrated steel producer and manufacturer of a wide variety of steel products which is its principal line of business and dominant segment. Manufacturing operations are located in Canada and in the United States and produce similar products from raw materials of which a substantial portion is supplied by the Company's steel mills in both countries. Transfers between geographic segments are made at fair market value. Canadian sales to outside customers include export sales in 1980 of \$124 million (1979 — \$122 million) primarily to customers in the United States. Highlighted below is a breakdown of net sales, operating profit and identifiable assets by geographic segment for 1980 and 1979.

	Thousands of dollars							
	1980				1979			
	Canada	U.S.A.	Eliminations	Consolidated	Canada	U.S.A.	Eliminations	Consolidated
Sales								
Outside customers	\$239,244	\$382,611	\$ —	\$621,855	\$242,694	\$252,669	\$ —	\$495,363
Intersegment exports	68,445	1,912	(70,357)	—	54,824	1,636	(56,460)	—
Total sales	\$307,689	\$384,523	\$(70,357)	\$621,855	\$297,518	\$254,305	\$(56,460)	\$495,363
Operating profit								
Outside customers	\$ 44,780	\$ 10,412		\$ 55,192	\$ 55,144	\$ 18,995		\$ 74,139
Intersegment exports	10,920	166		11,086	11,100	84		11,184
Total operating profit	\$ 55,700	\$ 10,578		66,278	\$ 66,244	\$ 19,079		85,323
Interest expense				(25,969)				(16,325)
Earnings of consolidated group before income taxes and other items				40,309				68,998
Income taxes				(12,402)				(25,399)
Other items				401				(857)
Net earnings				\$ 28,308				\$ 42,742
Assets identifiable by segment	\$323,169	\$249,837	\$(23,717)	\$549,289	\$297,523	\$212,931	\$(33,890)	\$476,564
Investment in non-consolidated companies				23,391				7,116
Total assets				\$572,680				\$483,680

Auditors' Report

The Shareholders,
Ivaco Inc.

We have examined the consolidated balance sheet of Ivaco Inc. as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for the change, with which we concur, in the method of accounting for unrealized gains and losses on translation of the working capital of U.S. subsidiaries as disclosed in Note 1 b, have been applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec,
February 27, 1981.

Financial Summary

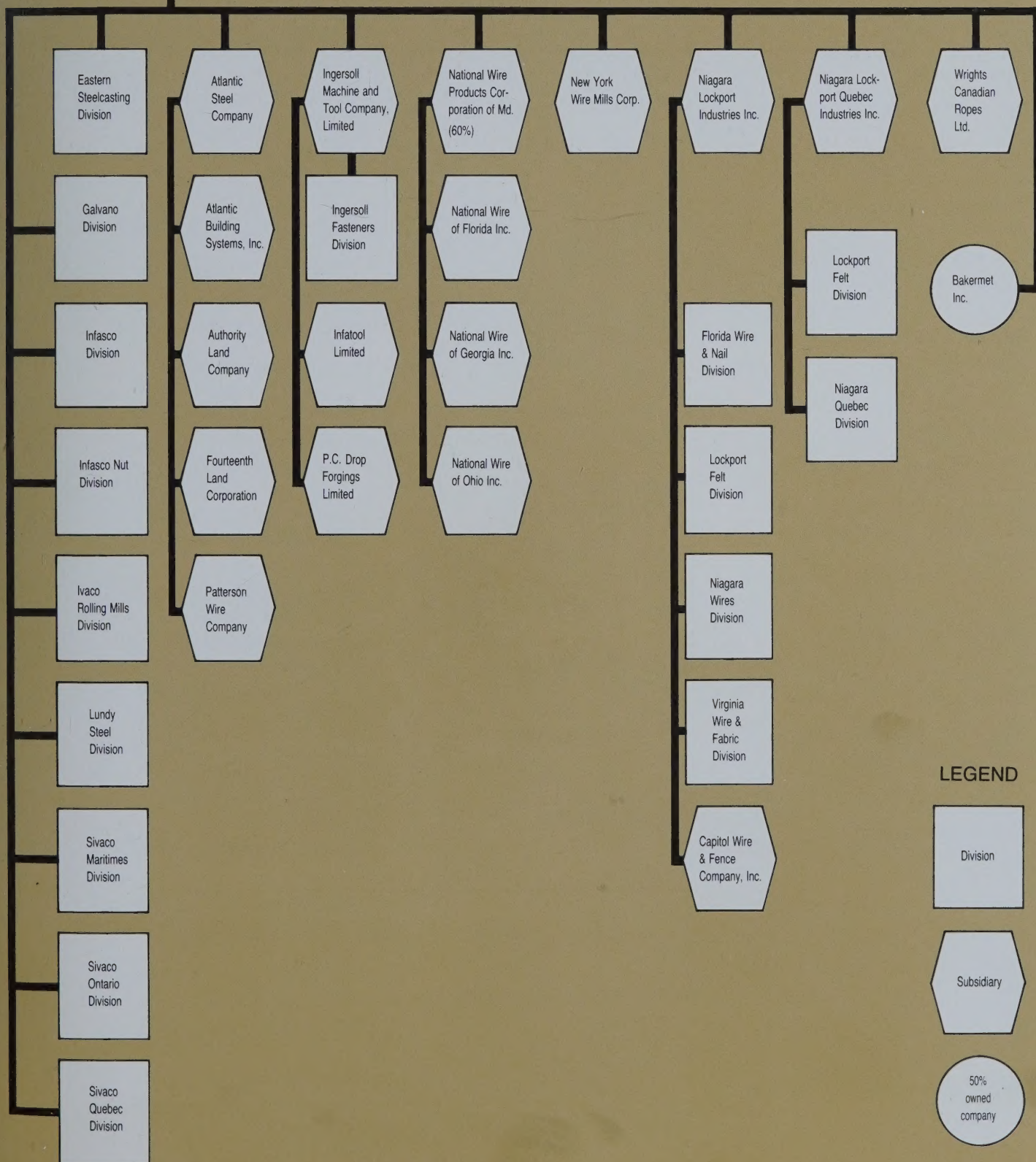
Millions of dollars except per share amounts

Operating Results	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Net sales	\$621.9	495.4	265.9	166.8	136.0	103.0	150.7	90.2	53.9	43.2	27.6	11.0
Depreciation and amortization	\$ 14.9	11.4	8.0	6.8	6.1	3.6	3.3	2.4	1.5	1.2	0.7	0.3
Earnings before income taxes	\$ 40.3	69.0	41.1	14.6	7.2	6.4	37.6	14.2	8.9	7.5	4.6	2.2
Provision for income taxes	\$ 12.4	25.4	16.7	4.6	1.6	1.7	16.5	5.8	4.1	3.7	2.3	1.1
Net earnings	\$ 28.3	42.7	24.0	9.8	5.4	4.5	20.4	8.1	4.6	3.7	2.1	1.0
Per common share	\$ 2.73	4.40	2.44	0.99	0.58	0.48	2.37	0.98	0.61	0.52	0.39	0.25
Return on sales	% 4.6	8.6	9.0	5.9	4.0	4.4	13.6	9.0	8.6	8.5	7.5	9.2
Financial Position	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Current assets	\$273.7	257.3	131.2	105.9	100.6	88.6	76.8	44.0	35.3	28.1	12.1	4.3
Current liabilities	\$143.8	147.0	74.1	69.5	69.5	59.5	45.9	25.6	22.2	18.4	7.4	3.0
Working capital	\$129.9	110.3	57.1	36.4	31.1	29.1	30.9	18.4	13.1	9.7	4.7	1.3
Net additions to fixed assets	\$ 64.1	34.3	27.6	19.7	7.4	16.0	32.4	14.6	6.9	8.3	2.5	0.9
Total assets	\$572.7	483.7	278.5	224.9	203.5	188.0	160.4	102.9	70.2	52.9	24.5	9.3
Long-term liabilities	\$187.5	143.2	58.4	30.8	32.2	33.5	29.8	18.6	14.7	7.2	2.2	2.1
Shareholders' equity	\$187.8	151.7	116.8	95.6	74.2	70.8	67.3	48.1	26.5	21.8	8.9	2.6
Dividends	\$ 8.4	7.9	5.3	2.6	1.9	1.9	1.7	0.4	0.2	0.2	—	—
Book value per common share	\$15.95	13.95	10.50	8.53	7.82	7.43	7.05	4.89	3.14	2.57	1.66	0.65

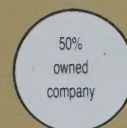
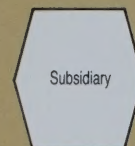
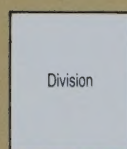
Organization Chart

(Subsidiaries 100% owned unless noted otherwise)

IVACO



LEGEND



Directory of Operations

Atlantic Building Systems Inc.

P.O. Box 1108
Hannibal, Missouri 63401
314/221-2715

Pre-engineered metal buildings

Atlantic Building Systems Inc.

P.O. Box 247
Tallapoosa, Georgia 30170
404/574-2331

Pre-engineered metal buildings
and welded structural tubing

Atlantic Steel Company

1300 Mecasin N.W.
P.O. Box 1714
Atlanta, Georgia 30301
404/875-3441

Steel billets, reinforcing bars, hot
rolled bars and shapes, hot rolled
wire rods, bright and galvanized
manufacturers' wire, farm fencing,
barbed wire, bale ties, nails and
chain link fencing and accessories

Atlantic Steel Company

P.O. Box 1069
Cartersville, Georgia 30120
404/382-8420

Steel billets, reinforcing bars, hot
rolled bars and shapes

Bakermat Inc

2555 Sheffield Road
Ottawa, Ontario K1B 3V6
613/745-7006

Processing of scrap metal

**Capitol Wire & Fence Company,
Inc.**

3334 Kenilworth Avenue
Hyattsville, Maryland 20781
301/779-7000

Wire and chain link fencing

Eastern Steelcasting Division

P.O. Box 510
L'Orignal, Ontario K0B 1K0
613/675-4671

Steel billets

Florida Wire & Nail Division

P.O. Box 816
Quincy, Florida 32351
904/875-1150

Wire and nails

Galvano Division

2620 Bernard Pilon
Beloeil, Quebec J3G 4S5
514/464-0547

Electro-galvanizing of fasteners
and nails

Infasco Division

700 Ouellette Street
P.O. Box 970
Mariville, Quebec J0L 1J0
514/658-8741

Bolts, nuts and fastener products

Infasco Nut Division

7283 Torbram Road
Mississauga, Ontario L4T 1G8
416/677-8920

Bolts, nuts and fastener products

Infatool Limited

Ingersoll Street
P.O. Box 6
Ingersoll, Ontario N5C 3K1
519/485-4531

Dies and specialty tooling

Ingersoll Fasteners Division

Thomas Street
P.O. Box 68
Ingersoll, Ontario N5C 3K1
519/485-4610

Bolts, nuts and fastener products

**Ingersoll Machine and Tool
Company, Limited**

347 King Street West
P.O. Box 250
Ingersoll, Ontario N5C 3K6
519/485-2210

Precision machined components
and axles

Ivaco Rolling Mills Division

P.O. Box 322
L'Orignal, Ontario K0B 1K0
613/675-4671

Hot rolled wire rods

Lundy Steel Division

Forest Street East
Dunnville, Ontario N1A 2X5
416/774-7581

Wire, welded wire fabric,
galvanized wire, barbed wire, cold
drawn bars, farm and chain
link fencing

National Wire of Florida Inc.

1314 - 31st Street
Tampa, Florida 33605
813/248-4134

Wire and welded wire fabric

National Wire of Georgia Inc.

520 Selig Drive
Atlanta, Georgia 30336
404/691-0770

Wire and welded wire fabric

National Wire of Georgia Inc.

U.S. Highway 17 & Birkenhead
Road
Savannah, Georgia 31407
912/964-1666

Wire and welded wire fabric

National Wire of Ohio Inc.

832 North Lallendors Road
Toledo, Ohio 43616
419/698-8037

Wire and welded wire fabric

National Wire Products Corporation of Md.

Fischer Rd. & Penn Central R.R.
Baltimore, Maryland 21222
301/477-1700

Wire, galvanized wire and welded wire fabric

New York Wire Mills Corp.

3937 River Road
P.O. Box 215
Tonawanda, New York 14150
716/874-5681

Wire, oil-tempered spring wire and nails

Niagara Lockport Industries Inc.
(Lockport Felt Division)

Godfrey Road & Transit Road
Burt, New York 14029
716/778-8511

Paper machine clothing (wet felts)

Niagara Lockport Industries Inc.
(Lockport Felt Division)

West Avenue
Newfane, New York 14108
716/778-8511

Paper machine clothing (wet felts)

Niagara Lockport Industries Inc.
(Lockport Felt Division)

Highway 12 West
Starkville, Mississippi 39759
601/323-4064

Paper machine clothing (wet and dryer felts)

Niagara Lockport Industries Inc.
(Niagara Wires Division)

High Bridge Road
P.O. Box 979
Quincy, Florida 32351
904/627-7141

Paper machine clothing (wet end forming fabrics)

Niagara Lockport Quebec Industries Inc.

(Lockport Felt Division)

1 Lee Boulevard
P.O. Box 420
Warwick, Quebec J0A 1M0
819/358-2071

Paper machine clothing (wet and dryer felts)

Niagara Lockport Quebec Industries Inc.

(Niagara Quebec Division)

2106 Bellefeuille Street
P.O. Box 939
Trois-Rivières, Quebec G9A 5K2
819/379-5555

Paper machine clothing (wet end forming fabrics)

Patterson Wire Company

Route 5, Box 251
Covington, Georgia 30209
404/786-9093

Farm fencing, barbed wire and electric fence wire

P.C. Drop Forgings Limited

Reuter Road
P.O. Box 100
Port Colborne, Ontario L3K 5V7
416/834-7211

Steel forgings

Sivaco Maritimes Division

35 Akerly Street
Dartmouth, Nova Scotia B3B 1J7
902/469-7412

Wire and nails

Sivaco Ontario Division

390 Thomas Street
P.O. Box 220
Ingersoll, Ontario N5C 3K5
519/485-4150

Wire

Sivaco Quebec Division

800 Ouellette Street
P.O. Box 940
Mariville, Quebec J0L 1J0
514/658-8741

Wire, welded wire fabric, galvanized wire and nails

Virginia Wire & Fabric Division

615 Falmouth Street
Warrenton, Virginia 22186
703/347-2741

Wire, welded wire fabric and nails

Wrights Canadian Ropes Ltd.

2551 #6 Road
Richmond, British Columbia V6V 1P3
604/273-4941

Wire ropes and cables

Ivaco Inc.

800 Ouellette Street, Marievalle, Quebec, Canada J0L 1J0

Printed in Canada